

EAST UNION HOSPITAL SERVICE DISTRICT
Farmerville, Louisiana

FINANCIAL STATEMENTS
WITH ACCOUNTANT'S REPORT

For the Years Ended
March 31, 2002 and 2001

PARRISH • MOODY & FIKES, p.c.
Certified Public Accountants
Waco, Texas



EAST UNION HOSPITAL SERVICE DISTRICT

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2002 AND 2001

TABLE OF CONTENTS

| | <u>Page Number</u> |
|---|------------------------|
| <i>Financial Statements:</i> | |
| Accountant's Report | 1 |
| Balance Sheets | 2 |
| Statements of Revenues and Expenses and Changes in Fund Balance | 3 |
| Statements of Cash Flows | 4 |
| Notes to Financial Statements | 5 - 7 |
| <i>Other Reports:</i> | |
| Accountant's Report on Applying Agreed-Upon Procedures | 8 - 10 |
| Louisiana Attestation Questionnaire | 11 - 12 |
| Findings, Recommendations, and District's Response | 13 |

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ACCOUNTANT'S REPORT

Board of Commissioners
East Union Hospital Service District
Farmerville, Louisiana

We have compiled the general-purpose financial statements of East Union Hospital Service District, component unit of Union Parish Police Jury, as of and for the years ended March 31, 2002 and 2001, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying general-purpose financial statements for the year ended March 31, 2002 and 2001 and, accordingly, do not express an opinion or any other form of assurance on them.

Parrish, Moody & Fikes, p.c.

Waco, Texas
May 29, 2002

EAST UNION HOSPITAL SERVICE DISTRICT

BALANCE SHEETS

MARCH 31, 2002 AND 2001

| | 2002 | 2001 |
|---|--------------|--------------|
| ASSETS | | |
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 74,634 | \$ 92,861 |
| Short-term investments | 173,000 | 73,000 |
| Taxes receivable | 18,665 | 1,626 |
| Total Current Assets | 266,299 | 167,487 |
| <i>Property, Plant and equipment:</i> | | |
| Land | 65,554 | 65,554 |
| Land improvements | 32,023 | 32,023 |
| Buildings | 2,889,246 | 2,849,884 |
| Equipment | 901,473 | 712,125 |
| | 3,888,296 | 3,659,586 |
| Accumulated depreciation | (2,598,909) | (2,503,760) |
| Net Property, Plant and Equipment | 1,289,387 | 1,155,826 |
| <i>Other Assets - Meter deposits</i> | | |
| | 210 | 210 |
| | \$ 1,555,896 | \$ 1,323,523 |
| LIABILITIES AND FUND BALANCE | | |
| <i>Current Liabilities:</i> | | |
| Accounts payable | \$ 228 | \$ 247 |
| Payable to contractor | 112,442 | - |
| Total Current Liabilities | 112,670 | 247 |
| <i>Fund Balance:</i> | | |
| Unrestricted | 1,443,226 | 1,323,276 |
| | \$ 1,555,896 | \$ 1,323,523 |

See accompanying notes and accountant's report.

EAST UNION HOSPITAL SERVICE DISTRICT

**STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE**

**YEARS ENDED
MARCH 31, 2002 AND 2001**

| | 2002 | 2001 |
|--|------------------|------------------|
| <i>Revenues:</i> | | |
| Ad valorem taxes | \$ 261,270 | \$ 206,514 |
| Rental income | 21,444 | 17,472 |
| Interest income | 5,261 | 9,439 |
| Total Revenues | 287,975 | 233,425 |
| <i>Operating Expenses:</i> | | |
| Accounting | 4,594 | 4,603 |
| Publications | 36 | 180 |
| Utilities | 14,400 | 6,000 |
| Other | 4 | 11 |
| Depreciation | 95,149 | 57,482 |
| Transfers to hospital for operating expenses | 53,242 | 32,066 |
| Maintenance and repairs | 600 | - |
| Total Operating Expenses | 168,025 | 100,342 |
| Excess of Revenues Over Expenses | 119,950 | 133,083 |
| <i>Fund Balance - beginning of year</i> | 1,323,276 | 1,190,193 |
| <i>Fund Balance - end of year</i> | \$ 1,443,226 | \$ 1,323,276 |

See accompanying notes and accountant's report.

EAST UNION HOSPITAL SERVICE DISTRICT

STATEMENTS OF CASH FLOWS

**YEARS ENDED
MARCH 31, 2002 AND 2000**

| | 2002 | 2001 |
|---|------------------|------------------|
| <i>From Operating Activities:</i> | | |
| Interest received | \$ 5,261 | \$ 9,439 |
| Rental receipts received | 21,444 | 17,472 |
| Cash paid to hospital for operating expenses | (53,242) | (32,066) |
| Cash paid in accounting, publications, utilities and fees | (19,653) | (10,844) |
| | <u>(46,190)</u> | <u>(15,999)</u> |
| <i>From Non-capital Financing Activities:</i> | | |
| Tax proceeds received | 244,231 | 208,927 |
| <i>From Investing Activities:</i> | | |
| Maturities of investments | 73,000 | 219,179 |
| Purchase of building improvements and equipment | (116,268) | (361,452) |
| Purchase of investments | (173,000) | (185,000) |
| | <u>(216,268)</u> | <u>(327,273)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(18,227)</u> | <u>(134,345)</u> |
| <i>Cash and Cash Equivalents:</i> | | |
| Beginning of year | 92,861 | 227,206 |
| End of year | <u>\$ 74,634</u> | <u>\$ 92,861</u> |

**RECONCILIATION OF EXCESS OF REVENUES OVER
EXPENSES TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

| | | |
|---|--------------------|--------------------|
| Excess of revenues over expenses | \$ 119,950 | \$ 133,083 |
| <i>Adjustments:</i> | | |
| Depreciation | 95,149 | 57,482 |
| Net tax proceeds | (244,231) | (208,927) |
| Decrease (increase) in taxes receivable | (17,039) | 2,413 |
| Increase (decrease) in accounts payable | (19) | (59) |
| | <u>(166,140)</u> | <u>(149,082)</u> |
| | <u>\$ (46,190)</u> | <u>\$ (15,999)</u> |

See accompanying notes and accountant's report.

EAST UNION HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED
MARCH 31, 2002 AND 2000

1. ORGANIZATION AND OPERATIONS

Organization

East Union Hospital Service District (District) was created by an ordinance of the Union Parish Police Jury on June 8, 1971. The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. The District's commissioners are appointed by the Union Parish Police Jury.

Operations

On November 22, 1983, the District leased the facility known as Union General Hospital in Farmerville, Louisiana, as well as all related moveable property, to a newly formed nonprofit corporation named "Union General Hospital, Inc." Union General Hospital, Inc. (Hospital) is a Louisiana nonprofit corporation, which has received exemption from income taxes as an organization described under section 501(c)(3) of the Internal Revenue Code.

The lease began December 1, 1983, with a "primary term" of three (3) years. Thereafter, unless the District or Hospital gives the other notice to terminate at least twelve months prior to the end of the base or any renewal term, the lease is renewed for five (5) year "renewal terms," under the same terms and conditions controlling the "primary term." The Hospital has agreed to maintain at its expense certain insurance, capital additions, and make necessary and proper repairs in exchange for rent paid to the District.

Since December 1, 1983, when the District discontinued operating the Hospital, its operations consists of administration of the leased facilities, rental of adjoining physicians offices, collection and administration of tax receipts, and payment of debt service on the public improvement bonds. These bonds were paid in previous years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis and in accordance with guidelines recommended by the Committee on Health Care Institute and Subcommittee on Health Care Matters of the American Institute of Certified Public Accountants. The accrual basis of accounting recognizes revenues when earned rather than when received. Expenses are recognized when incurred rather than when paid.

EAST UNION HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

**YEARS ENDED
MARCH 31, 2002 AND 2001**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment items are recorded at the District's cost. Since the inception of the lease, additional items of property and equipment purchased by the Hospital are reflected in the Hospital's financial statements. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives used in computing depreciation follow the lives recommended by the American Hospital Association, which is recognized by the Medicare and Medicaid intermediaries. Lives used in computing depreciation generally range from 20 to 50 years on buildings and 3 to 15 years on equipment.

Property Tax Revenues

The District levies real estate taxes on all real property on a calendar year basis at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of the taxes.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking accounts and certificates of deposit. All deposits are at various financial institutions and are within the FDIC insured limit. For the purpose of the statement of cash flows, all cash having original maturities less than 90 days, is treated as cash and cash equivalents.

3. OFF BALANCE SHEET RISKS AND CONCENTRATIONS OF CREDIT

Concentrations of Credit

The Hospital grants credit on its services to its patients, substantially all of whom are local residents of the Parish. Generally, the Hospital accepts assignments of patients' benefits payable under either public or private insurance programs or policies in lieu of collateral to secure its patient accounts receivable. At March 31, 2002 and 2001, approximately 70% of patient accounts receivable was related to beneficiaries of the Medicare and Medicaid programs. Future changes (if any) occurring within the local economy or the Medicare and Medicaid reimbursement methods can significantly affect the ability of the Hospital to operate the leased facilities.

EAST UNION HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

**YEARS ENDED
MARCH 31, 2002 AND 2001**

3. OFF BALANCE SHEET RISKS AND CONCENTRATIONS OF CREDIT *(Continued)*

Volume of Services

The Hospital is dependent upon local physicians practicing in the immediate service area for its volume of patients. Any decrease in the number of physicians which currently serve the Hospital can significantly affect the Hospital's ability to operate the leased facilities.

4. PROPERTY TAXES

In November, 1998, the voters of the District approved the authorization of a ten-year, \$5 million, property tax levy on all taxable property located within the District. The tax can be used for constructing, maintaining, improving, equipping, and operating the hospital facilities.

5. BOARD MEMBERS

Board members of the District and their compensation for 2002 and 2001, are as follows:

| <u>Member</u> | <u>Compensation</u> |
|----------------------|----------------------------|
| Jessie Andrews | None |
| Vicki Antley | None |
| Alice Bailey | None |
| Joel Taylor | None |
| Bruce Matte | None |
| Calvin Jones | None |
| Mary Washington | None |
| Mary Linnear | None |

PARRISH • MOODY & FIKES, p.c.

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**ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Board of Commissioners
East Union Hospital Service District
Farmerville, Louisiana

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of East Union Hospital Service District and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about East Union Hospital Service District's compliance with certain laws and regulations during the year ended March 31, 2002 included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

Expenditures relating to Public Bid Law in 2001 consisted of one capital project, which was a new roof on the physicians building. We examined documentation which indicated that the expenditures relating to this project had been properly advertised, awarded, and accepted in accordance with the provisions of LSA-RS 38:2211-2251.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interest of all board members and employees, as well as their immediate families.

The District does not employ any employees. Therefore, this procedure was not applicable.

3. Obtain from management a listing of all employees paid during the period under examination.

The District does not employ any employees. Therefore, this procedure was not applicable.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agree-upon procedure (2) as immediate family members.

The District does not employ any employees; therefore, this procedure was not applicable.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

We were supplied a "proposed budget" for the year ended March 31, 2002.

6. Trace the budget adoption and amendments to the minute book.

The budget for year ending March 31, 2002 was approved within the board minutes.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

We compared the actual revenues and expenses with the "proposed budget" and found that the actual revenue was not less than 95% of budgeted receipts. However, actual expenditures were greater than 105% of budgeted expenditures due to actual depreciation being greater than the depreciation amount budgeted.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- a. trace payments to supporting documentation for each of the six selected disbursements and determine that payment was for the proper amount and made to the correct payee;

We examined supporting documentation for each of the six selected disbursements and determined that payment was for the proper amount and made to the correct payee.

- b. determine if payments were properly coded to the correct fund and general ledger account;

All of the payments were properly coded to the correct fund and general ledger account.

- c. determine whether payments received approval from proper authorities.

The inspection of documents supporting each of the six selected disbursements indicated approval from the board.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meeting law).

The District notifies the local radio station and posts notice of the meeting on the board room door. We observed documentation supporting the mailing of the notice to the radio station.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We reviewed deposits recorded in the general ledger for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

The District does not employ any employees. Therefore, this procedure was not applicable.

Federal, State, and Local Awards

12. Determine the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

The District has not received any federal, state or local awards.

Prior Comments and Recommendations

13. Review prior-year suggestions, recommendations, and/or comments and indicate the extent to which such matters have been resolved.

All matters appear to have been resolved.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of East Union Hospital Service District and the Legislative Auditor, State of Louisiana, and should not be used by those who are not informed about such matters or who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Purcell, Moody & Jiles, P.C.

Waco, Texas
May 29, 2002

EAST UNION HOSPITAL SERVICE DISTRICT
P. O. BOX 398
FARMERVILLE, LA 71241

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

JUNE 15, 2002 (Date Transmitted)

ATTN: JERRY RICHARDSON
PARRISH MOODY & FIKES, PC.
1511 JUDSON ROAD, SUITE C & D
LONGVIEW, TX 75601 (Auditors)

In connection with your compilation of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations). MARCH 31, 2002.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes No

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes No

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

| | | | |
|------------------------------|-----------|---------------|------|
| <u><i>Vickie Cortley</i></u> | Secretary | <u>7-3-02</u> | Date |
| | Treasurer | | Date |
| <u><i>Bliss Bailey</i></u> | President | <u>7-3-02</u> | Date |

FINDINGS, RECOMMENDATIONS AND DISTRICT'S RESPONSE

Finding:

During the course of our compilation, it was noted that for the past few years, the District has not posted our adjustments to their general ledger.

Recommendation:

We recommend that the District post all relevant adjustments.

District's Response:

The District will post the adjustments to their general ledger.